National Park Service
U.S. Department of the Interior

Commercial Services

Concession Management Rate Administration Guide

February 28, 2017

1. Introduction

This Concession Management Rate Administration Guide (Rate Guide) provides policies and procedures for concession rate administration by the National Park Service (NPS). The procedures described in the Rate Guide address the NPS requirements under Sec. 406 of Title IV of the National Parks Omnibus Management Act of 1998 as relates to "reasonableness of rates" to the public. The Rate Guide provides details on authorized rate methods and procedures for concessioner rate requests, approvals, and appeals.

This Rate Guide augments and updates the information contained in NPS-48, Chapter 18 and RM-48 Chapter 5, when it supersedes the rate administration information in NPS-48. If procedures in this Rate Guide conflict with NPS-48 or RM-48, the procedures in this Rate Guide take precedence.

This Rate Guide is periodically updated to reflect changes and clarifications in rate administration policies and procedures.

The goal of the NPS Concession Rate Administration Program (Rate Administration Program) is to ensure that rates charged to the public for concessioner-provided facilities and services are fair to concessioners, reasonable for visitors, and set in accordance with law and policy. The procedures described in this guide provide an analytical process to review and approve concessioner rates in a manner that is as prompt and unburdensome as possible and achieve the following objectives:

- Produce defendable and reliable results.
- Rely on market forces and reflect the competitive marketplace.
- Address the unique factors and requirements of concession facilities and services.
- Ensure a consistent Service-wide approach.
- Provide a professional process for parks.

The various responsibilities of entities involved in the Rate Administration Program are outlined in NPS 48/RM 48. The methods and procedures for accomplishing these responsibilities are identified and discussed in more detail in the Rate Guide.

Throughout the Rate Guide, the term "concession specialist" is used to refer to the park employee(s) responsible for managing the concession contracts. This includes full time concession specialists, other concession management positions, and collateral duty employees with concession management responsibilities.

2. Rate Administration Program Procedures

This section defines the administrative procedures for:

- Setting initial rates.
- Changing rate methods.
- Addressing rate requests.
- Conducting rate reviews and approvals.
- Managing rate appeals.

The superintendent is the primary authority for determining rate methods and approved rates for concession products and services, supported by park concession specialists. The region, and in some cases the Washington Support Office (WASO) or third-party hospitality consultants, may also provide assistance as needed.

2.1. Baseline Rates

During prospectus development, NPS personnel (park, region or WASO) or hospitality consultants should use their expertise to conduct a comparability study, including an initial analysis of:

- Types and category (i.e., classification level) of services.
- Applicable rate methods.
- Potential and actual comparables.
- Appropriate rates.

The results from this analysis are incorporated into the concession contract operating plan to establish the applicable rate methods, comparable operations, and approved rate schedules for the first year of the contract (or multiple years of the contract if an indexing method is used). The consultant or NPS personnel will also use this information in the prospectus financial analysis.

WHAT IS THE DIFFERENCE BETWEEN POTENTIAL AND ACTUAL COMPARABLES?

Potential Comparables are businesses suggested as a possible candidate for being comparable to the concession. **Actual Comparables** are those businesses from the list of potential comparables determined to be the most similar to the concession operation. In this document, whenever the term "comparables" is used, it refers to actual comparables. When referring to potential comparables, the entire term is used.

2.2. Rate Method Changes during the Term of the Contract

The superintendent may change the rate method used to approve rates during the term of a contract to reflect changes in market conditions, concession operations, or policies. For example, the superintendent may determine that a more streamlined process such as core services rather than full comparability can be employed for a particular service and still ensure fair pricing for visitors. Conversely, the superintendent may determine that a more flexible rate method (such as competitive market declaration) is no longer working to provide fair rates for visitors and as a result, change the rate approval method to one that provides more oversight (such as comparability). The park should consult with their regional office when considering such changes to the rate methods.

The park should conduct an analysis for such changes in rate approval methods, discuss any changes with the concessioner so they understand the reason for the change, and document the changes in the operating plan. Concessioners must have adequate time to implement the rate administration changes, typically several months before the concessioner's rate request is due. Exceptions are when rate method changes are necessary on a more expedited timeline to address significant rate fairness issues. In such cases, the park may change the rate methods within the same operating season.

The concessioner may also propose changes in rate methods. Such proposals must include documentation with analysis and justification demonstrating how the new method will improve processes for the park and concessioner while providing fair rates to visitors.

2.3. Rate Changes during the Term of the Contract

The superintendent may approve changes to rates during the term of the contract to reflect changes in the market or concession conditions. The most common trigger for a rate change consideration is a request from the concessioner. There may also be occasions when the park determines there is a need for a rate adjustment. Additionally, some rate methods include a programmed rate change. Processes for each of these are outlined below.

2.3.1. Concessioner-Requested Rate Changes

Rate Request Timeline

The park must establish a timeline for when the concessioner may submit requests for rate changes beginning in the second year of the contract. The timeline should:

- Provide a logical, realistic time frame for completing the necessary research, analysis, document preparation, and reviews.
- Consider the need for concessioners to prepare advertising materials and public rate schedules.

Parks with multiple concession operations should consider staggering rate request timelines to help the park meet appropriate response times.

Written Rate Request

Concessioners must request rate changes in writing and in accordance with the rate request timeline. The requests must include sufficient detail and documentation to justify the requested rate. Documentation may include:

- Information on the concessioner's proposed rate methods.
- Proposed rates.
- Rate comparables.
- Financial analysis.
- Other information the concessioner believes should be considered in accordance with law.

Out-of-Cycle Rate Increase

Concessioners may make special rate requests outside of the annual timetable for products or services due to special events, unexpected changes, or emergencies.

In certain cases where expedience is necessary, concessioners may make approval requests via telephone. A written request must follow all telephone requests documenting the justification for the rate change.

Park Review and Approval

Concession specialists must review concessioner rate requests to determine if the requests are justified. The specific review procedures will vary depending on the type of rate method used and may include the completion of a rate comparability study, calculation using Consumer Price Index (CPI) data, or other actions. If the concessioner's request requires additional review or input, regional or WASO Commercial Services personnel can provide technical assistance.

An example of a recommended format for a comparability study includes:

- Executive summary
- Determination of study level (full or limited)
- List of potential comparables
- Description of the properties
- Analysis of data collected
- Selection of actual comparables (matrix)
- In-depth analysis of actual comparables
- Rate request from concessioner
- Concluding recommendations

The concession specialist should review the rate request and provide a written recommendation to the superintendent stating whether the rate should be approved (i.e., the concessioner's rate request is justified) or denied (i.e., the concessioner's rate request is not justified). The concession specialist may also recommend approval of a modified rate schedule that provides a rate increase lower than the concessioner requested. Documentation must fully support the recommendation and include a format that outlines the procedures followed in reviewing the concessioner's rates and in analyzing the supporting documentation and data. For the benefit of the superintendent, the recommendation should also include an executive summary of the results of the review.

It is important that responses to concessioner rate requests are timely. Parks should strive to complete the rate review within 60 days, except in unusual circumstances. Parks should communicate the schedule to the concessioner, and include it into the operating plan. If a park is unable to complete its review because the concessioner provides insufficient information, the park should request additional information from the concessioner and reestablish an appropriate response schedule.

The concession specialist should prepare the approved rate schedule based on the rate request decision and include specific, adequate information to ensure all rate factors are documented and understood. Elements may include:

- Menu items
- Room types
- Seasonal or holiday/special event rates
- Deposit and cancellation policies
- Group/package rates
- Reduced rates for federal employees
- Other factors to show what is provided for the price charged

WHO CAN CONDUCT RATE REVIEWS?

Only NPS personnel who complete Evaluation and Pricing (E&P) Training can conduct rate reviews and approvals.

A cosigner is necessary if the concession employee has not yet completed E&P training. The regional office can assist the park in identifying a cosigner.

The superintendent must sign and date the approved rate schedule and provide a written copy to the concessioner, which includes *"These rates are to remain in effect until specific changes are approved by the superintendent"* at the bottom of each page.

If the superintendent denies or modifies the concessioner's rate request, the park must inform the concessioner and provide appropriate justification.

Annual Overall Rating Requirement

Concessioners should not receive approval for a rate increase if they have an Annual Overall Rating (AOR) score of marginal or unsatisfactory. Such scores represent failure for the concessioner to substantially meet visitor service standards and/or administrative requirements. Exceptions may be granted by the Superintendent if the concessioner demonstrates rates are significantly below market pricing; however, even in these circumstances, approval for the full request to bring them to an industry standard should not be provided until the concessioner's performance is improved to satisfactory.

2.3.2. NPS-Initiated Rate Reductions

The NPS typically relies upon the concessioner to make rate change requests when they feel it is justified and does not routinely initiate rates changes during the term of the contract.

However, the NPS may determine, based upon completion of a rate study or other comparability data, that rates for a service should be lower than the currently approved rate. In circumstances where there is reasonable evidence that rates are likely to recover, the superintendent may deny any rate increases until comparable rates have caught back up. In situations where economic circumstances demonstrate the rates will be lower than those currently approved for an extended period, the superintendent may approve a rate reduction to ensure compliance with comparability requirements under the law and fairness to the visitor. The concessions specialist must consult with the regional office before reducing rates so they can provide guidance and be prepared for any potential appeals from the concessioner.

2.3.3. Programmed Rate Changes

Rate methods for some services establish an annual rate adjustment based upon an index such as the Consumer Price Index (CPI). If such indices indicate a rate increase, the increase is not automatic. The concessioner must still formally request a rate change and provide index data demonstrating the justification for the rate adjustment. If the index indicates a rate reduction, the park should hold or reduce rates as outlined above.

2.4. Advance Rates

Parks typically approve rates before the start of the peak visitor season. However, concessioners can accept reservations up to two years in advance. To account for potential rate increases beyond the current year's approved rate schedule, the concessioner may request an "advance rate" approval.

Advance Rate Request

Concessioners must request written permission to charge advance rates. The concessioner is responsible for providing adequate documentation to justify the rates they are proposing. In accordance with statutory requirements, this supporting documentation must be based on comparability. Documentation may include data from comparables which documents their advertised or projected rates for the advance period or rate trend data for the comparable property. Concessioners may use industry indices or trend reports to justify advance rate requests. Such indices and reports for the lodging industry include CPI, Smith Travel Research, and PKF/CBRE reports.

The superintendent must approve all advance rates before they are advertised or charged. If a concessioner provides unjustified data, or if the park demonstrates the rate request is not justified, the superintendent may approve a lower advance rate. The superintendent should deny an advance rate increase if research and analysis indicate market conditions will deteriorate and the advance rate may fall below the current year's rate.

Managing Advance Rates

If the final approved rate for the season is lower than the advance rate, the concessioner must refund the difference between the advance rate deposit and the actual rate deposit to the park visitor. If the final approved rates are higher than the advance rate, the concessioner must honor the advance rate for the entire length of stay.

The concessioner must develop procedures to manage the advance rate process and provide them to the park for approval. Concessioners must provide accounting and tracking documentation to the park upon request, and clearly disclose their refund policy regarding advance rates to customers at the time of reservation and at the time of stay.

Concession specialists must periodically review the concessioner's advance rate processes to ensure the concessioner is conducting customer disclosures, charging correct rates, and issuing any applicable refunds.

2.5. Rate Request Appeals

If a concessioner disagrees with the findings of a rate review, there is a right to appeal. The superintendent should make reasonable efforts to work out the disagreement with the concessioner, before processing the appeal. Appeal reviews must occur in a timely manner.

Steps for Appealing a Rate Request:

1. The concessioner writes a letter of appeal to the superintendent stating the concessioner’s desire to appeal to the regional director. The letter must clearly state the concessioner’s objection to the rate study determination and include sufficient data to support the objection.
2. The superintendent forwards the letter of appeal to the regional director in a timely manner.
3. The park provides comments relating to the concessioner’s objections and supporting information to justify the park’s position relating to each issue of the appeal.
4. The current rates for the services in question remain in effect until the regional director renders a decision, which is final.
5. The regional director returns their decision to the concessioner in writing, through the superintendent.

If the regional director overturns the superintendent’s decision, the memorandum becomes an amendment to the park’s approved rates.

2.6. Rate Administration Compliance

Park personnel are responsible for approving concessioner advertising containing rate information, performing rate checks several times per year, and ensuring the concessioner’s quality and standard of services align with their rates. These procedures are part of the the NPS Concessioner Review Program which is outlined in NPS 48/RM 48.

2.7. Qualifications to Perform Rate Approvals and Co-Signers

Personnel who conduct rate reviews and oversee rate compliance are required to hold NPS Commercial Services Evaluation and Pricing (E&P) Training certification. E&P recertification is recommended every five years.

A cosigner is necessary if the concession employee (collateral duty or full time) conducting rate reviews has not completed E&P training. Personnel certified through E&P training do not need a cosigner but may still request one. The regional office can assist the park in identifying a possible cosigner.

The cosigner provides support and advice to the park reviewer to ensure the rate analysis is valid and supports recommendations. To qualify as a cosigner, the employee must have at least three years of experience conducting rate studies following successful completion of E&P training. Cosigners must be full-time concession management personnel and be familiar with the park and concession operation in question. Cosigners may be personnel from other parks, regional offices, or WASO. Studies are considered invalid when conducted by anyone without the proper training and experience.

3. Rate Administration Methods

3.1. Rate Method Summaries

This section includes summaries of the various approved rate methods. Detailed procedures for each method follow in Sections 3.3 – 3.9.

Competitive Market Declaration

Competitive Market Declaration (CMD) is the rate approval method with the least administrative burden for the park and concessioner. This method utilizes a written statement to document that the concessioner is in a competitive market for a specific service and allows the concessioner to price accordingly. This method assumes there is significant external competition so the concessioner sets their rates based on market pressure and pricing of a specific item or service is not influenced or enhanced by a specific NPS area. These conditions are most commonly seen in urban areas and parks with nearby gateway communities.

CMD is the preferred rate method for merchandise items that do not have a manufacturer's suggested retail price (MSRP). CMD may be used for other products or services where there is a competitive market. When applying this method, particular care must be taken where the service is more critical to visitors, such as lodging or food and beverage.

Comparability

Comparability is the fundamental rate setting method. It is also the method with the highest level of effort to establish and oversee rates. NPS personnel use this method to compare concession facilities or services to similar offerings outside the park, and apply it when other simplified methods are inappropriate or inadequate. This method is most often used for:

- Lodging
- Campgrounds
- Marinas
- Tour operations
- Fuel
- Guides and outfitters

The comparability method consists of two levels - full review and limited review. The full review requires the NPS to collect information by visiting nearby businesses that are similar and potentially comparable to the concession operation. NPS personnel analyze the information and select the properties determined to be most similar as actual comparables in the assessment of the concessioner's rate request. The limited review process is similar to the full review process, except the data is collected remotely via telephone, internet, or correspondence.

Manufacturer's Suggested Retail Price

MSRP is the preferred method for merchandise and convenience items *that have pre-printed prices* on them. MSRP is the pre-printed price the manufacturer recommends the retailer uses to sell the product. Products that have an MSRP should be priced at that rate. All other items without an MSRP may be priced using CMD or markup, as appropriate.

Markup

The markup rate method is the preferred method for pricing *convenience items* that do not have an MSRP. Convenience items are products that are generally consumed regularly and viewed as *necessities*. Examples include:

- Ice.
- Packaged food.
- Personal care products.

This rate method uses industry gross margins by product category obtained through data from by the National Association of Convenience Stores (NACS) that is distributed by the NPS Commercial Services Program annually. Markup percent is the percent of total cost that is profit. The application of this method involves pricing items using the concessioner's documented product cost multiplied by the applicable percentage.

Core Methods (Core Menu, Core Rooms, Core Retail, Core Services)

The core methods allow parks to simplify the rate administration process by using different rate methods for products or services that have core and non-core offerings. The park decides which products or services are "core" to the operation and prices those using the comparability process, while the concessioner prices the non-core products based on what the market will bear.

The core method is the preferred method for lodging, food and beverage, and convenience items, and may be applicable to other services where there are differentiated offerings.

Financial Analysis

This method provides a process for calculating rates at the beginning of a contract using a financial analysis and annually adjusting them by an index. It is intended for use when:

- Comparables are not available.
- No other rate method can be used.
- There is a need to account for unique aspects of the business that other rate methods cannot address.

The method may be useful for unusual services such as seaplane rides, mountaineering services, bathhouses, ferry services, or river running operations.

Indexing

Rates may be approved by using CPI or other indexes. Indexing is not a stand-alone rate method; rather it is used to update rates set by other methods (comparability, financial analysis).

Other Methods

The NPS continues to investigate ways to reduce the rate approval burden to parks and concessioners while still meeting the requirements of the laws and objectives of the Rate Administration Program. The park and the concessioner, in consultation with the

"AMENITY ADJUSTMENT" PILOT

Some parks have been piloting a new method for setting rates for lodging that uses comparability to set the rate for a "standard" room type and then adjusting rates up or down for other room types based on what amenities are provided (balcony, view, fireplace, etc.). These amenity adjustments can be based on the concessioner's historical rate differences or the comparables' rate differences in room types.

Interested in piloting this method? Contact your regional office.

regional office and WASO Commercial Services, may choose to pilot methods that meet these requirements. WASO Commercial Services may be available to provide technical assistance in such pilot efforts.

3.2. Preferred Rate Methods by Service Type

The table below identifies the preferred and alternate rate methods by service type.

SERVICE TYPE	APPROVED RATE METHOD(S)	
	Preferred	Alternative
Lodging	Core (Room)	Direct Comparability Financial Analysis Competitive Market Declaration
Food & Beverage	Core (Menu)	Direct Comparability Cost of Goods Competitive Market Declaration
Retail- Convenience	MSRP/Core Markup	MSRP/Full Comparability Competitive Market Declaration
Retail- Merchandise	MSRP/Competitive Market Declaration	Direct Comparability
Fuel	Direct Comparability	Fuel Markup Competitive Market Declaration
Other Services	Core (Services)	Direct Comparability Financial Analysis Competitive Market Declaration

3.3. Competitive Market Declaration

The Competitive Market Declaration (CMD) rate method should be used for all *merchandise items* without MSRPs. Merchandise items are manufactured or handcrafted items that are not considered necessities, such as coffee mugs, key chains and toys. Given the non-essential nature of merchandise and the availability of similar products in areas outside the park and online, merchandise in all parks can be priced using CMD without having to provide the written documentation and justification below.

CMD may be used for other services **only** if one of the following situations applies:

1. **Competitive Market** - A competitive market requires the concessioner to compete with other businesses, which ensures market pricing. For example, a concession restaurant in a park may compete directly with other nearby restaurants and have little or no competitive advantage due to location. Similarly, a retail store may find it competes with other shops locally, regionally, or even nationally (i.e. internet) for similar goods and must set prices consistent with these businesses.
2. **No Competitive Advantage** - The sale of art may derive little or no competitive advantage from being in a park, since individuals often travel substantial distances to obtain these items and the place of purchase is less important than the character of the item. On the other hand, a marina that provides the only access to a body of water enjoys a substantial competitive advantage and should not use CMD.
3. **Prices Routinely Negotiated** - The price of consignment items, antiques, boats, and many other products is often negotiated between the buyer and seller.

3.3.1. CMD Documentation

The park must document the decision to use CMD for anything other than merchandise, and include the declaration in the approved rate schedule. The format of the declaration may be adjusted to meet individual needs. However, it should include at a minimum, a statement to the effect that:

1. The concessioner operates in a competitive market and derives no advantage from being in the park.
2. Competitive market forces are the determining factor of the concessioner's rates.
3. The concessioner may adjust rates without the specific approval of the superintendent, but rates are subject to review to ensure they remain reasonable in comparison to similar services offered outside the park.
4. An annual review of the declaration is necessary and the park may rescind the use of this if the situation changes.

Competitive Market Declaration Examples

Example One: Guided Hiking

The Zion Lodge offers guided hikes inside the park. There are ten Commercial Use Authorization (CUA) companies that also offer similar guided hikes inside the park, as well as numerous guided hiking opportunities just outside of the park.

The use of CMD for guided hikes is appropriate. The concessioner can adjust rates without the specific administration of the superintendent, but they are subject to review to ensure they remain comparable to similar services offered outside Zion National Park. The decision to change rate administration methods lies with the superintendent, who reviews the declaration annually to determine if rescinding the use of this method is warranted.

Sample CMD Statement:

Guided Hikes - Competitive Market Declaration. Guided hikes offered by the Zion Lodge are offered in a competitive market. Zion Lodge competes with CUAs and other businesses nearby in Springdale, which ensures market pricing. In consideration of these factors, I declared that rates charged by the concessioner for guided hikes are comparable and approved. Zion Lodge may competitively price guided hikes without further approval from the NPS. Rates are subject to review to ensure they remain comparable to similar services offered outside the park. This declaration will be reviewed annually and the use of this method may be rescinded if the situation changes.

Superintendent　　　　　　　　　　Date

Example Two: Specific Convenience Item

Zion Gifts prices convenience items according to the markup rate method. However, the price of batteries set using the markup method is much lower than the prices at the competitors' shops. Since this price is out of sync with the local market, the concessioner has requested a markup waiver for this item and the superintendent has approved the use of CMD for batteries.

Sample CMD Statement:

Batteries - Competitive Market Declaration. The price of batteries sold at Zion Gifts in Zion National Park is out of sync with the local market when priced using the markup method. Zion Gifts must be able to compete with other businesses and market pricing. In consideration of these factors, Zion Gifts may price batteries competitively without further approval from the NPS. Rates are subject to review to ensure they remain comparable to similar services offered outside the park. This declaration will be reviewed annually and the use of this method may be rescinded if the situation changes.

Superintendent Date

3.3.2. Monitoring Value for Competitive Market Declaration Services

While CMD streamlines the rate approval process, it is still important for the park to monitor the value of the products and services the concessioner provides. Even in a competitive market, the park location may provide concessioners a unique advantage and ability to charge rates higher than their competitors. The concessioner might increase the quality of their offerings so the service is of a higher standard than was intended by the park, and therefore justify a higher market-based rate. To ensure appropriate value, parks should periodically check the quality of services a concessioner offers against market rate comparables and the NPS standards for the category of service specified in the contract. As indicated above, if there are concerns, it is appropriate to discontinue the CMD method for merchandise or other services. These potential concerns apply not only to the CMD rate method, but also to other rate methods that allow for market pricing, such as the core methods.

3.4. Comparability Method

3.4.1. Comparability Description and Steps

The comparability method is primarily used for lodging, campgrounds, marinas, tour operations, fuel, and guides and outfitters. The purpose of the comparability method is to correlate the concessioner's rates to similar operations in the competitive marketplace. Establishment of the concessioners' approved rates under this method involves:

- Identifying comparable businesses that are similar to the concessioner's operation.
- Analyzing the concessioners' rates against the rates of the comparable businesses, taking into consideration operating differences.

The **full review** process requires an onsite visit to collect data. Typically the full review is used for more complex operations such as lodging, large marinas, and other operations where a thorough inspection of operating conditions is important to evaluate comparability.

The **limited review** process permits the collection of the same data by telephone, internet, or other correspondence, and is typically used for smaller, less complex operations such as fuel, firewood, laundry, showers, and small boat rentals, or when updating a full review.

Parks should complete a comparability review (full or limited) every fifth year of the contract at a minimum. If no significant changes have occurred in either the operating conditions of the comparables or the concessioner, a limited review may be appropriate. Under certain circumstances, however, it may be necessary to conduct a full review prior to the fifth year. For example, a full review must be completed:

- Prior to the start of a new contract.

- When an assignment or encumbrance transaction occurs.
- When major renovations have been completed.
- Upon a change in service levels or facility classification.
- Upon any substantive changes to comparable properties.

During the interim years, a limited review or indexing may be used to adjust the rate. Indexing is preferred because it reduces the administrative burden on the park and concessioner.

Concession specialists must follow the following steps when conducting a **full review.** When conducting a **limited review** as a stand-alone process, steps 3 and 4 are unnecessary. These processes provide a straightforward, reliable and defensible comparability methodology. Several tools have been developed to aid in some of these processes. Parks may request to help pilot such tools through their regional concession office.

1. **Determine Study Level** - Is it a full or a limited review?
2. **Develop a List of Potential Comparables** - If it is a new review, the concession specialist *and* the concessioner should work together to develop a list of potential comparables. Involving the concessioner at this stage can eliminate potential conflict later. Comparables should be in an area that is free and unencumbered by permits and restrictions. Ownership of the comparable should be different from that of the concession operation. In some situations, it is necessary to use comparables that are hundreds of miles away because they are so rare. However, if a proposed property is a substantial distance (i.e., several hundred miles) from the park and there are sufficient comparables closer, the property should not be used.
3. **Contact Potential Comparables** - As a courtesy, the concession specialist should contact potential comparable businesses via email or phone, explaining the reason for contact and method used to review concessioner rate requests. The concession specialist should request permission to visit the property and collect basic information and may suggest a date and time for the visit. Few operators decline to assist when approached in this manner.
4. **Visit Potential Comparables** - Visits must be conducted in a professional manner with necessary aids to ensure accurate data collection. The concession specialist may invite concessioners to accompany them on these visits. Preparing a form in advance makes information collection easier. This form may include a space for information on each of the criteria and notes about Extra Quality Features (discussed later in step 7). It is important to document the visit with thorough notes and photographs to record exterior and interior conditions.
5. **Compile and Analyze Data Collected (Comparability Matrix)** – The concession specialist must compile and analyze all collected information in a comparability matrix (sample provided on the following page). When executed properly, this results in the best possible selection of actual comparables. The comparability matrix uses the comparability criteria identified in Section 3.4.2 to provide an objective approach for determining which properties are selected as actual comparables. When completed, this matrix notes the degree of similarity between the concessioner and the potential comparables. The matrix does not designate the properties as better or worse, but only shows the degree of similarity.

   When completing the comparability matrix, it is critical for the same person(s) to evaluate all the properties in the matrix for consistency. Concessioners do not participate in the matrix process. The concessioner is listed first on the matrix and is automatically assigned a value of 10 points for each criterion. In a lodging matrix, there are seven criteria, so this format results in a total of 70 points for the concessioner (10 x 7 = 70). In other matrices, the total score may be different (based on the number of criteria in each matrix), but the concessioner always receives the full points value for that matrix since they provide the base on which all the potential comparables are compared.

For each of the criteria analyzed, the concessions specialist should devise a point spread that reflects the differences between potential comparables. For example, if a concessioner has 100 guest rooms, a potential comparable should have 50-150 guest rooms to receive 10 points. In cases where the comparable is not similar to the concessioner, it may result in a score of either five (partially the same) or zero (completely different). To further distinguish between comparables, it is also appropriate to use numbers between 1-4 and 6-9.

Sample Matrix

	Concessioner	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Comp 6
Competition							
yes (10)	10	10	10	10	10	10	10
Seasonality							
seasonal (10)	10			10	10		10
year-round ((5)		5	5			5	
Similar Area							
remote (10)	10	10		10	10	10	
rural (5)			5				5
urban (3)							
Similar Clientele							
vacationers (10)	10	10	10	10	10	10	
mix (5)							5
business (1)							
Occupancy							
> 80% (10)	10	10			10	10	10
50%- 79% (5)			5	5			
<49% (1)							
Facility Characteristics							
Building Type							
cabins/duplexes (4)	4	4	4	4	4	4	
low rise hotel/motel (3)							3
high-rise (2)							
Facility Age							
1949 or older (1)			1	1			
1950-1970 (2)					2		
1971-2000(3)	3	3				3	3
2001 or newer (2)							
Construction Type							
wood (3)	3	3	3	3	3	3	3
masonry (2)							
other (1)							
Similar Size (# of rooms)							
24 or less (5)		5	5			5	
25-50 (10)	10			10	10		
50-100 (5)							5
101-200(1)							
Total Comparability Score	**70**	**60**	**48**	**63**	**69**	**60**	**54**

6. **Select the Actual Comparables** – The concession specialist must select actual comparables after the analysis. In general, there should be at least three actual comparables. Throughout this document whenever the term comparables is used, it refers to actual comparables. When referring to potential comparables, the whole term is used. After the concession specialist completes the matrix and the points are totaled for each property, he or she should look for a natural break in the point spread and selects all properties above that number as actual comparables. In the previous sample, a natural break point seems to be at 60 points, so the park would select Comps 1, 3, 4, and 5 as actual comparables. If a break level is not apparent or provides too few or too many properties, the concession specialist should select an appropriate number of properties from the list.
7. **Conduct an In-Depth Analysis of Comparables -** This step focuses entirely on the comparables selected. The concession specialist must review the information, including other factors deemed significant and Extra Quality Features (EQFs), as part of determining where the concessioner falls among the range of the comparables. EQFs are additional attributes and amenities that add value to the operation, such as televisions, internet, pools, and on-site restaurants for a lodging operation.

   Sample lists of EQFs for various service types are available on the SharePoint Contract Management Toolbox. This step helps the concession specialist determine where the concessioner's operations lie in relation to the range of quality and types of services or facilities the comparables offer. To make this determination, the analysis must compare and appraise the level of EQFs in both concessioner and comparable facilities. These features generally add operating costs and value to the customer. The review may be a simple comparison of the concessioner's EQFs against the corresponding lists of the individual comparables, taking into consideration that all EQFs are not valued equally.

   The concession specialist should prepare a narrative that summarizes the comparables' EQFs and other criteria for each specific type of facility or service. The narrative should enhance the reader's knowledge of the property and add value to the matrix comparison.
8. **Collect and Analyze Rate Information** The concession specialist must collect rate information for each comparable. When comparables offer various rates for the same offering (i.e., lodging room rates), the park should use the peak rate for comparison. The peak rate is considered the highest rate the operation charges for the season, not including special events, holidays, discounts, or other restrictions.

   In lodging, this may be considered the "rack rate." If a comparable is unwilling or unable to provide its peak rate, "rate shopping" is necessary. This requires searching the comparables via an online reservation system (or calling the reservation desk) to determine the peak rate. It may be necessary to search a variety of days (weekdays and weekends) and seasons to determine an accurate peak rate.

   After EQF comparisons, the concession specialist can make a logical determination of where the concessioner fits in among the comparables in respect to service, condition of facilities, and attention to detail. **It is important not to average rates to find the approved rate**. Rather, the approved rate should fall within the range of property rates to which the concessioner is most comparable.

For example, the comparables from the previous example charge the following peak rates:

Comp 1	$145.00
Comp 3	$175.00
Comp 4	$160.00
Comp 5	$167.00

If the EQF analysis shows the concessioner belongs between Comp 3 and 5, the approved rate should fall between $167 and $175 (not the average rate of the four comps, or $161.75). If the concessioner's rate request is $170, the park should approve the rate. If the concessioner's rate request is $180, the park should approve a maximum rate of $175.

Depending on the operating conditions of the concession operation and its comparables, rate approvals for various seasons or special events (i.e., festivals, holidays, natural phenomenon) may be appropriate. For example, a park with obvious visitation patterns may wish to set peak season, shoulder season, off season rates, and special event rates if comparable operations have similar rate trends.

The park and concessioner should work together to identify any additional rate seasons that exist in the market and the dates that the additional rates will be used for. When using this type of rate stratification, it is important that the park and concessioner consider all rate seasons (off season, shoulder season, etc.) and not just those that will result in higher rates. In considering the number of different rates to approve, the park must balance the legal requirements of ensuring comparable rates with the available resources to review and approve rates in a complete and timely manner.

3.4.2. Comparability Criteria

Concession specialists should use the following criteria to determine comparability. Criteria are weighted equally when completing the matrix and each criterion is worth 10 points. For example, lodging has seven applicable criteria for a total of 70 points.

Concession Type	Criteria Number	Total Points
Lodging	1-2-3-4-5-6-7	70
Food and beverage	1-2-3-7-8	60
Campgrounds	1-2-3-5-7-9	60
Marinas	1-2-3-7-10-11	60
Tours	1-2-3-12-13	50
Gasoline stations	1-2-3	30
Other Services	1-2-3-12	40

Comparable operations should be as similar to concessioner operations as possible. Parks examine the degree of similarity between potential concession operations and the concessioner for each criterion, and apply a score based on their findings. The specific criteria are:

1. **Competition (all services)**. Comparable operations must have at least one competitor engaged in a similar operation (service, classification) in the immediate area. Two or more comparable operations are ideal. This ensures greater accuracy and fairness in pricing

administration. The only possible point score for this criterion is 10. If there is competition, the park awards a score of 10. If there is no competition, the comparable may not be used.

2. **Seasonality (all services)**. Comparable operations should have similar operating seasons in relation to the concessioner. Typically, this is scoring year-round vs. seasonal operations.
3. **Similar Area (all services)**. Comparable operation should be located in an area similar to the concessioner. Possible locations include remote, urban, suburban, mountain, beach, etc.
4. **Similar Clientele (lodging)**. Comparable operations should serve a similar clientele to the concessioner. The concessioner serves the vacationing public almost exclusively. Comparables that serve a significant percentage of corporate or convention business operate differently and may have different costs and revenues than more tourist-oriented facilities.
5. **Occupancy Rate (lodging, campgrounds)**. Comparable operation occupancy rates should be similar to the concessioner's occupancy rate.
6. **Facility Characteristics (lodging)**. Comparable operations should share certain characteristics with the concessioner, including age, construction material, and building type. Building types can include high-rise (three stories or higher), low-rise (two story), single-story, cabins, etc. These factors are important when comparing facilities to measure the similarities in construction and maintenance costs between facilities. For this criterion, the park divides the ten points into the three facility characteristics factors. For example, the park may choose to make age worth four points, and construction material and building type each worth three points.
7. **Similar Size (lodging, food and beverage, campgrounds, marinas).** A comparable should be similar in size to the concessioner (similar number of lodging rooms, restaurant seats, campground sites, marina slips, etc).
8. **Similar Classification and Number of Meals (food and beverage).** Comparable operations should have a similar classification and serve a similar number of meals as the concessioner operation. Examples of classification include fast casual, family casual, and fine dining. Examples of number of meals include breakfast, lunch, and dinner.
9. **Site Type (campgrounds).** Comparable operations should offer similar site types to the concessioner operation. This includes campgrounds that may provide areas to accommodate RV users or tent campers, or a combination of the two.
10. **Similarity of Operations (marinas).** Comparable operations offer similar amenities to concessioner operations. This includes criteria such as length of boats, types of boats and utilities.
11. **Construction Characteristics (marinas).** Comparable operations are constructed of similar materials to concessioner operations. This can include the construction type and materials of the dock (floating, pilings, metal, or wood), weather protection, and breakwater.
12. **Similarity of Operations (tour operations, other services).** Comparable operations should offer similar services as the concession operation. This may include using similar types of equipment, offering similar services, or having similar facilities. For example, concessioner and potential comparables for a tour operation should use a similar type of equipment (car/van, bus, tram, boat) and preferably the same type of power and fuel. These affect the initial investment and ongoing operating costs for various kinds of equipment. Additionally, the concessioner and the potential comparable should provide the same type of guide service, whether live narrative or tape recording.
13. **Tour Length (tour operations).** Comparable operations should offer similar tour lengths to concession operation. For example, two-hour, half day, or full day tours. It is not advisable to compare extended tours with tours of a short duration because fixed costs will vary.

14. **Locally Important Criteria (optional).** Due to the wide variety of services and activities unique to parks, the concession specialist may identify certain local criteria for comparability. The criteria should specifically identify the desired levels of service or equipment.

3.4.3. Unique Comparables

Other Government Agency-Managed Properties

While it is not prohibited to use other government agency-managed commercial operations as comparables, it is not preferred because of the potential for these facilities to operate under conditions that prevent them from operating competitively. Concession specialists may use other government agency-managed properties when they cannot find an adequate number of acceptable non-government managed businesses.

The government-managed property must establish their rates competitively (i.e., rates are not set or financially regulated by a governing agency) and the contract or other operating requirements imposed by the federal agency must not prevent the business from acting like an unencumbered commercial operation. The concession specialist must investigate and document these items.

Operations from Other Countries

Using commercial operations from other countries as comparables is allowed, but should only be used when an adequate number of domestic comparables are not available for comparison. While foreign facilities may provide similar services in similar environments (and therefore seem like a reasonable comparable), certain factors can make them unsuitable. These factors may include different operating and regulatory environments, financial exchange rates, and local economies. Non-domestic locations where these factors are not significant and provide reasonable comparables include U.S. Territories, Canada, and the Bahamas.

In all cases, when using non-domestic comparables, concession specialists must take the foreign exchange rate into account in the rate determination.

Operations Located on Park Inholdings

It is acceptable to use commercial operations on NPS inholdings as a comparable. Concession specialists must ensure the operation meets the comparability criteria, including whether the property’s rates were established competitively and whether its presence within a park inholding imposes operating requirements that prevent the business from acting like an unencumbered commercial operation.

Chain Establishments

It is not preferable to use chain hotels (Best Western, Hilton, etc.) or restaurants (Applebee’s, Chipotle, etc.) as a comparable, particularly if an adequate number of independent operations are available. The operating costs for chain establishments are often lower than a concessioner’s operating costs, making them unsuitable candidates for comparison. If chain properties must be used because other comparables are not available, they should not comprise more than half of the comparables.

Concession specialists should consult their regional office for guidance if they are unsure about the use of a particular property. In the event that such comparables are used, the concession specialist must maintain documentation demonstrating the need for using these comparables.

3.5. Manufacturer’s Suggested Retail Price (MSRP)

Manufacturer's Suggested Retail Price (MSRP) is the preferred rate method for merchandise and convenience items if the MSRP is pre-printed and clearly indicated on the product and the use of such pricing is standard industry practice. Items that are typically sold at a factory printed price include magazines, books, newspapers, candy bars and snack foods.

Additionally, merchandise items such as clothing procured by a supplier with a pre-printed tag may also be priced using the MSRP. If requested, the concessioner must be able to demonstrate the items are commonly sold at MSRP.

As with the other rate methods, MSRP is the maximum rate approved, and concessioners may choose to charge a lower price. Concessioners may use markup or CMD when MSRP is:

- Not provided on the product.
- Not commonly used for pricing in the industry.
- Otherwise determined to be inappropriate.

For example, for backcountry operations where there are significant transportation costs to provide items to the backcountry operation, the MSRP method may not be appropriate. Instead, to account for and include freight costs in the final price, it may be appropriate to use the markup method instead.

3.6. Markup Method for Convenience Items

The markup rate method is used for *convenience items* that do not have a MSRP. Convenience items are products that are consumed regularly and viewed as visitor necessities such as ice, food, and personal care products. Approved prices for these specific types of retail merchandise are established by applying approved markup percentages to product cost. The use of this source ensures comparability with the private sector, while providing a less rigorous process for both the concessioner and the park.

3.6.1. Determining Price

Markup percentages are broken down into categories. The markup percentage list is distributed annually by the NPS Commercial Services Program and posted in the policy library on SharePoint, normally before the start of the calendar year. Rate reviews should use only the most current markup percentages. Concession specialists are responsible for giving concessioners the updated percentages in a timely manner so they can implement the new rates.

Concessioners may sell some merchandise that is not listed or might fit into more than one category. Concessioners that operate in more than one park sometimes use different categories for the same merchandise to determine rates. It is important to identify those discrepancies so the percentages can be applied consistently.

Use the following formula when using the markup method to determine the maximum selling price:

Total Cost x (1 + markup percentage) = selling price

For example, if the concessioners' cost for cough medicine is $4.50, the park refers to the Markup table, identifies that the markup percentage for health and beauty care is 71%, and uses these numbers to identify the selling price:

$4.50 x (1 + 0.71) = $7.70

Rounding is acceptable and common. In this case, the concessioner may propose to sell the cough medicine for $7.75.

Retail Price	Round to Nearest
Below $10.00	$0.25
$10 to $49.99	$0.50
$50 and Over	$1.00

Note: The common store pricing strategy of lowering prices so they end in a price of perceived better value (e.g., $.99 or $.49 rather $.00 or $.50, respectively) is permitted as long as prices are lower rather than the approved amount.

For the $7.70 example above, that rate is rounded to $7.75 and therefore not eligible for the .49 or .99 rounding. But if the maximum approved rate is $7.89 and the concessioner rounds to $8.00, they can also charge $7.99.

If the concessioner chooses to round, rounding must be applied consistently across all products, both up and down. The concessioner may not choose to only round on products where rounding is upward and yields a higher price. These rounding practices may also be applied to services other than retail.

3.6.2. Product Costs and Freight Charges

To avoid selling the same product at different prices, merchandise on hand at the time the wholesaler announces a price change may be revalued to reflect new wholesale costs, and retail prices can be adjusted accordingly. Invoices showing price increases on these items can be used for documentation.

Documented freight costs may be added to the product cost prior to applying the markup percentages. The concessioner must produce documentation for these expenses. The concessioner may accurately identify average annual freight costs or, with NPS approval, propose a fixed freight cost to be added as a percentage of the wholesale cost. This method allows a concessioner to keep the same prices on hundreds of items throughout the year as restocking shipments come in with slightly different freight costs.

The major burden is on the concessioner, who must keep accurate records for calculation of an average freight cost. The freight cost should be stated as a percentage of merchandise sold for the previous year. The concessioner must document exactly what the percentage for freight was for the past year. If the park agrees to permit averaging and the concessioner's documentation is adequate, the percentage can be added to all merchandise sold in the following year. This procedure is a variation on the standard process that requires the concessioner to calculate the freight rate for each individual item based on the identified costs on the separate invoices.

The concessioner is required to track the actual freight costs for the year to determine if recovery of costs is above or below the actual cost. The concessioner takes this difference into account the next year by either raising or lowering the percentage to account for the difference. For example, if the concessioner estimated 2% in freight costs for the year, but the actual cost was only 1.5%, the concessioner must deduct 0.5% from the next year's estimated freight costs. This is an annual adjustment.

If the park decides to allow this time-saving process, they must ignore the invoice freight charges in calculating approved retail sales prices. The final rate for all merchandise will have the same percentage of freight charges (for example, 1.5%). Some of the actual freight rates will be higher and some lower than the overall average. For example, if the wholesale cost of an item to the concessioner is $10.00, 1.5%, or $0.15 may be added before the item is marked up to the final retail price. If the mark up is 100%, the final retail price of the example item would be $20.30. This does not include rounding, utility add on charges, or other appropriate costs. This process, when supported by accurate records, results in more stable pricing and a simpler administrative process.

Warehouse charges may not be added to the product cost. These charges include normal labor and other expenses incurred by the concessioner in handling merchandise in storage and sales outlets. Freight charges may also not be added to product costs for delivering merchandise from the concessioner's warehouse to the point of sale.

Concessioners may take advantage of volume discounts offered by suppliers. In this case, the markup should be placed on top of the wholesale cost, not the discounted cost, listed on the invoice. The concessioner must provide documentation of the volume discount when requested.

3.6.3. Variations from Listed Percentages

The percentages on the markup percentage list should be used as a maximum allowable percentage. However, if a local market price for a convenience item appears out of sync with the markup percentage list, the concessioner may request a markup waiver for a particular item and that comparability or CMD be used to set the item price. The concessioner must justify the decision to use the alternative method with appropriate documentation. The park superintendent must approve the use of these alterative rate methods in advance.

Parks are advised to discourage concessioners from adding a markup to stamps, fishing licenses, and other items typically sold at face value.

3.6.4. Grocery and Pre-packaged Food

Grocery items are considered convenience items and therefore concessioners should use the markup method for this product category. Most grocery item categories sold in concessioner grocery stores are covered in the NACS guidance. Concession specialists and concessioners should work together to review and document the selected categories.

Some concessioners sell pre-packaged food items (e.g., sandwiches and yogurt) in food and beverage facilities such as cafeterias and grab-and-go outlets. Such wholesale products purchased from a vendor and not packaged by the concessioner are considered convenience items. The markup method or MSRP is recommended when setting and approving rates for these products.

3.6.5. Rate Methods for the Sale of Mixed Product Categories

Markup is the current preferred rate method for convenience items while CMD is the preferred rate method for merchandise. In operations where there are mixed product sales including items in each of these retail categories, the park should use the associated preferred rate method for each product category. For example, if ice is sold at both a convenience store and a gift shop, markup must be used to calculate the rate at each location. The use of the appropriate rate method outweighs any interest in having a consistent rate method storewide.

3.6.6. Pricing Merchandise without a MSRP or CMD

Occasionally, concessioner's merchandise will not fit any of the criteria listed and merchandise prices may not be set using MSRP or CMD. In this case, concessioners may use the markup method using the "general merchandise" category.

3.6.7. Markup Method for Fuel

The preferred method for setting fuel prices is comparability. However, the park may allow concessioners to use a markup method when the comparability method is not practical. Comparability may be inappropriate for parks because comparable operations can sometimes charge lower fuel prices due to lower transportation costs, higher volume of sales, contract discounts with refiners, and other factors not available to concessioners. If comparability for fuel pricing is not appropriate at a park for any of these reasons, they may choose to approve fuel prices based on the markup method.

According to the National Association of Convenience Stores (NACS) Retail Fuels Report, despite extreme day to day volatility, retail margins for fuel are fairly consistent on an annual basis. The NACS Factbook reports an annual nationwide average markup. This markup is distributed annually by WASO with the convenience item markup percentages and posted on SharePoint in the policy library. This percentage margin includes the retailer's profit and costs to sell fuel, including credit card fees, utilities, rent and equipment. It should be noted, this is the same source the NPS uses annually to establish the markup for convenience items. This markup only applies to automobile fuel stations, as boat fuel station may have additional operating costs.

Determining Price

The following example outlines how to apply the fuel markup percentage. The fuel invoice the concessioner receives should show the base price of the fuel (per gallon), as well as any federal, state, and local taxes (per gallon). Below is an example of an invoice:

```
 Cust # Smn  Cust  P.O.   Date    Ref #  Hauler Truck     From     Terms
  2605                   3/19/15  87384    BOL# 000000 0 PLANT   NET 15 DAYS RM

 Cl   Item          Description              Qty    Price            Amount
        1471 GALLONS 3,FLAMMABLE LIQUID UN 1203, PG II
R 1 2000              PLUS 91 OCTANE       1,471GAL 1.96220          2,886.40
                      NON-ETHO GAS

UNBLENDED GASOLINE MAY BE SOLD ONLY FOR THE
PURPOSES AUTHORIZED UNDER S 526.203(3) STATUTES

                          * * NET TOTAL                               2,886.40
                      FEDERAL EXCISE-GASOLINE  1471.00  .18400EA        270.66
                      FEDERAL RECOVERY FEE     1471.00  .00190EA          2.79
                      FL EXCISE GASOLINE       1471.00  .16600EA        244.19
                      FL ENVIRON. FEES - GAS   1471.00  .02193EA         32.26
                      LOCAL OPTION DADE COUNTY 1471.00  .16900EA        248.60

                                        INVOICE AMOUNT               $3,684.90
```

Markup calculation for this invoice using a **sample** 7% markup. **For the current fuel markup percentage, check the policy library on SharePoint.**

1. The base rate per gallon including taxes for this invoice is calculated as $2.50503/gallon (1.96220 + .18400 + .00190 + .16600 + .02193 + .16900).

2. Any transportation fees are calculated as a "per gallon" rate. For example, assume the concessioner was charged a transportation fee of $100 for this shipment of fuel. The cost of the transportation fee per gallon is $100/1471 gallons = 6.8 cents per gallon (.068).
3. The transportation charge per gallon is added to the base rate. In this example, the total including transportation is $2.57303 (2.50503 +.068) per gallon.
4. After adding the taxes and any applicable transportation fee, the 7 percent markup is applied to determine the final approved rate. This is calculated the same way as the markup for convenience items:

Total Cost x (1 + markup percentage) = selling price

$2.57303 x (1.07) = $2.7531421

5. The rate is then rounded. The total of $2.7531421 for this example can be rounded to $2.75 or $2.749 per gallon.

The price for fuel will fluctuate whenever a concessioner receives a new delivery of fuel. When performing a rate check, the concession specialist uses the most recent invoice to calculate the allowed rate. As with other rate methods, this is the maximum approved rate the concessioner can charge. To be competitive, the concessioner may always charge less than the approved rate.

Local Fuel Markup Alternative

Concession specialists may also develop their own local markup percentage using the comparable operations' rates. An Excel spreadsheet is available in the Contract Management Toolbox on SharePoint to help calculate the local fuel markup percentage.

3.7. Core Methods

The core methods allow parks to simplify the rate administration process by using different rate methods for products or services that have core and non-core offerings. The park decides which products or services are "core" to the operation and prices those using the more complex comparability process, while the non-core products or services are set by the concessioner based on what the market will bear. Methods for food and beverage (core menu), lodging (core room), retail (core retail), and other services (core services) are detailed below.

3.7.1. Core Menu

Rather than setting all menu item rates using the comparability method, the concept of establishing a core menu is the preferred rate method for food and beverage services. Parks may use the comparability process if the core menu process does not produce appropriate rates.

Core Menu Development

The concession specialist and concessioner should work together to select core menu items. The core menu helps identify specific food categories and items that are standard on comparable menus and should appear on the concessioner's menu.

The core menu should reflect national trends, be representative of the expectations of park visitors, and include a number of popular food and beverage selections. These selections cover food categories such as:

- Entrees (beef, fish, chicken, vegetarian, etc.)
- Beverages
- Desserts
- Appetizers

While the number of core menu items varies for each establishment, it is recommended that the core menu make up approximately 1/3 of the menu. For example, a full service restaurant may offer a full menu with 12 entrée items and have a core menu consisting of four entrees, one appetizer, one beverage and one dessert. The core menu application is not appropriate for activities that include food as part of a package deal such as river running, mountain climbing, and backcountry operations since their menus are limited.

The three steps for developing a core menu are:

1. The concession specialist reviews the menus of the selected comparables and identifies the ***food categories*** generally found on each menu. Examples may include appetizers, entrees, desserts, beverages, and children's menus.
2. The concession specialist identifies the ***food types*** made available by most of the comparables. Examples may include fish, fowl, pork, beef, pastas, diet, etc.
3. After establishing the food types that should be on the core menu, the concession specialist identifies actual ***food items*** that will appear on the core menu. These items are routinely found on the majority of the comparable menus. Other than items typically described at a certain portion size on the menu (meats and some beverages), the approval of core items is not tied to specific portions or preparations styles.

SAMPLE CORE MENU

Breakfast:
Juice
Eggs
Pancakes
Bacon or Sausage
Grits or Potatoes
Toast or Biscuits
Coffee

Lunch:
Soup
Garden Salad
Vegetarian sandwich w/ fries
Hamburger with fries
Chicken sandwich w/ fries
Dessert
Soft Drink (12 oz. w/refills)

Dinner:
Soup/Garden Salad
Vegetarian Pasta
Trout with rice and vegetable
Strip Steak (12 oz. USDA)
Dessert
Draft Beer

The concessioner must provide adequate portion sizes, but should have some leeway with creativity in presentations and combinations. The core menu should include items that fall under the Healthy Food Standards (released in 2012). For more information, see the Program Policy Library on the Commercial Service SharePoint page.

Parks should pay attention to selections of national interest or expectation, and items necessary to satisfy normal health considerations.

Non-Core Menu Items

After the park establishes the core menu, the concessioner may add items to the non-core menu without the need for a detailed park analysis. Non-core menu items should include local and regional specialty food items. The concessioner is responsible for setting non-core rates consistent with the local market. If the park questions rates of non-core menu items, the concessioner must justify the rates.

The concessioner is not required to submit the non-core menu for review. With an appropriate core menu, there is no need for the park to be concerned with minor or subtle pricing variations in the remainder of the menu.

Core Menu Rates

With the establishment of the core menu, the administration of rates should be relatively simple using the selected comparables. The park may average the core menu item rates on the comparable menus and use that average as the approved rate. However, if averaging does not produce a suitable rate for the product, it is acceptable to price the concessioner's rate at the appropriate price point within the range of comparables' rates. For instance, with all other quality measures being equal, if the concessioner offers a salad with all entrees while the comparables do not, it is appropriate to review the range of prices the comparables offer and approve a rate at the higher end of the scale. It is unacceptable to establish a range of rates for core items and then approve only the high-end rates for menu items without any further justification.

3.7.2. Core Room

The core room rate method allows parks to categorize and use different rate methods for two groups of lodging rooms – core and non-core. This core room rate method addresses difficulties in finding comparables for the unique room types, while ensuring the Service is effectively meeting its obligation to approve reasonable rates in a prompt and accommodating manner.

Core Rooms

Core rooms must be comprised of the majority room type(s) of the lodging operation, typically standard hotel, motel, or lodge rooms. Core room rates are set using the comparability method as previously described. There may be a variety of rates set for core rooms based on the amenities provided and comparables used for each room type. For example, there may core rooms with and without bathrooms.

Non-core Rooms

Non-core rooms should be unique room types, such as cabins or suites, which may be difficult to find comparables for, and should comprise no more than 1/3 of the total rooms available. The concessioner sets the rates for the non-core rooms based on market conditions, and must be able to provide justification for non-core rates if requested.

The concessioner and the park must monitor occupancy data and visitor comments to gauge the visitors' satisfaction of the value of both core and non-core rooms.

Core and Non-core Lodging Properties

In some parks, there are multiple lodging properties offered by a single concessioner (e.g., upscale, mid-scale, basic and/or rustic). In such circumstances, it may be possible to apply the core method to the portfolio of properties rather than particular room-types. The park may use comparability to approve rates for the core property(ies), while allowing the concessioner to base rates for the non-core property(ies) on market conditions. Non-core properties are:

- More unique and eclectic.

- Serve a small portion of park visitors.
- Harder to find comparables for.

As with any application of the core method, it is important to evaluate performance and visitor comments to ensure visitor needs are being met relative to offerings and value.

3.7.3. Core Retail

The core retail process is not much different from the markup method, except the markup is not applied to all convenience items. Markup is only applied to a core list of items. These items are considered necessities and must remain affordable to visitors. Using the markup method for core necessities allows a nationally standardized percentage to be applied to basic need items. All other convenience items are priced using CMD, thus relieving the burden of pricing all convenience items with markup.

Core Retail Products

The following is a list of core retail items that should be priced using the appropriate markup category. All other convenience items may be priced using CMD. This list is a suggested list of core items, and the park may add or delete items as necessary for their retail operation. Parks do not need to use the North American Industry Classification System (NAICS) numbering included below.

07-00-00	**Packaged Beverages**
07-04-00	Juice/Juice Drinks (Includes: 100% juice, vegetable drinks, canned/juice box drinks)
07-05-00	Bottled Water (Includes: flavored, carbonated, still, fortified waters)
17-00-00	**Alternative Snacks**
17-02-00	Granola/Fruit Snacks
17-03-00	Health/Energy Bars (Includes: meal replacement, diet, energy, cereal, nutritional bars)
20-00-00	**Non-edible Grocery**
20-01-00	Laundry Care (Includes: laundry detergent)
20-02-00	Dish Care (Includes: dish soap)
20-03-00	Household Care (Includes: insecticides)
20-04-00	Paper/Plastic/Foil Products (Includes: toilet paper)
21-00-00	**Health & Beauty Care**
21-01-00	Analgesics
21-02-00	Cough & Cold Remedies (Includes: cough drops)
21-03-00	Stomach Remedies (Includes: antacids)
21-06-00	Grooming Aids (Includes: shampoo, oral care, deodorants, soap, shaving needs)
21-07-00	Feminine Hygiene (Includes: tampons, sanitary napkins)
21-10-00	Skin Care/Lotions/External Care (Includes: sunscreen, eye care, lip care, first aid)
22-00-00	**General Merchandise**

22-02-00 Batteries
22-08-00 Lighters

28-00-00 Ice

3.7.4. Core Services

The core services rate method is identical to the core room rate method, except it is used for other service types when there is a variation in the types of offerings such as tours, transportation, and guides and outfitters.

Core Services

Core services should be comprised of the most popular services the concession operation offers and should make up at least two-thirds of the concession operation's visitation. For example, if a concessioner offers a variety of bus tours and 75% of the visitors choose to go on the two hour tour, the two hour tour is the core service. There may be more than one service type in the core services. For example, if a mountaineering guide offers three routes, but one route is only selected by 10% of the visitors, then the other two routes are the core services for that operation.

Core service rates are set using the comparability method as previously described. There may be a variety of rates set for core services based on the amenities provided and comparables used for each service type.

Non-core Services

Non-core services should be unique service types and should not comprise of more than one-third of the total services available. Rates for the non-core services will be set by the concessioner based on market conditions. The concessioner must be able to provide justification for non-core rates if requested

The concessioner and the park must monitor visitor comments to gauge the visitors' satisfaction of the value of core and non-core services, and to monitor the effectiveness of the core service method.

3.8. Financial Analysis Method

This method provides a process for calculating rates at the beginning of a contract using a financial analysis and annually adjusting the rates using an index. This method may be useful for unusual services such as seaplane rides, mountaineering services, bathhouses, ferry services or river running operations. It is intended for use when:

- Comparables are not available.
- No other rate method can be used.
- There is a need to account for unique aspects of the business that other rate methods cannot address.

The steps involved with this method are:

Establish the Initial Specified Rate - The NPS representative or consultant may use a number of methods to develop the base rate, such as:

- Calculating a build-up of operating costs.

- Using industry statistics or publications.
- Performing an economic feasibility study.
- Using another method deemed appropriate by the regional office or WASO.

The established base rate must be fair to visitors and provide a reasonable opportunity for a profit for the concessioner. The superintendent may request assistance from the regional office or the WASO Commercial Services Program.

TIPS AND TOOLS

Looking for recent CPI data? The SharePoint Contract Management Toolbox has CPI data available for lodging, food and beverage, transportation, recreation, and other service types.

Incorporate the Rate into the Contract - Once the base rate is determined, the park must incorporate it into the operating plan during prospectus development. In addition, the park must identify what type of index is appropriate to use to update rates annually. The Consumer Price Index is commonly used, but other industry publications or indices may be used where appropriate.

Adjust the Rate Annually -The rate is adjusted annually using the chosen index and updated in the operating plan. Indexing should not exceed four years before reestablishing the base rate (by updating the financial analysis) on the fifth year.

3.9. Indexing Method

Indexing is a procedure for adjusting concessioner rates that were set using either comparability or a financial analysis. It is not a stand-alone method to determine rates. Indexing can reduce the administrative burden on both concessioners and NPS personnel by eliminating the need for a comparability study to permit an adjustment.

A price index is a ratio of related prices for commodities or groups of commodities to prices in a base year. The percentage change in prices (inflation rates) is calculated by dividing the change in the index over a period of time, by the index at the beginning of the same period.

The most commonly applied index, CPI, is compiled by the Bureau of Labor Statistics of the Department of Labor. CPI breaks down data for specific products and services into a "U.S city average" index, as well as indices for specific cities and regions. Generally, the recommended CPI to use is the Consumer Price Index for all Urban Consumers (CPI-U) for "all items", U.S city average. This index tends to be more stable over time, with fewer fluctuations up and down than tend occur with the more specific region or city CPIs. Other CPIs may be more appropriate in certain circumstances. In addition, indices other than CPI may be used if agreed upon by the park and concessioner. Parks should consult their regional office to determine the appropriate index if they are unsure. The index to be used should be documented in the operating plan.

Examples of CPIs for specific products and services offered by NPS concessioners are identified in the following chart:

NPS Concessioner	**Corresponding CPI Index**
Restaurants (food service)	Food away from home

Restaurants (alcoholic beverages)	Alcoholic beverages away from home
Lodging	Lodging away from home
Retail sales	Retail sales
Bus transportation	Intercity bus fare

Concessioner rates can be approved using the indexing method for four years. They should not be indexed for a fifth consecutive year, and another method must be used, such as comparability.

Example of Indexing

The following section shows a sample of the CPI data available and the Index Pricing Worksheet used in this exercise.

In February 2016, the concessioner at Mammoth Cave National Park requests a price increase for hamburgers in his restaurant. The most recent approved price for a hamburger is $10.00, which was approved in February 2015 through comparability and he would like to raise the price to $12.00, which would be a 20% increase.

The operating plan specifies using the CPI-U price index for the “U.S. city average” of “all items” (see example below). The CPI table indicates that from February 2015 to February 2016, those food prices have increased by 1%. On this basis, the concessioner would be limited to a 1% increase, for a total price increase to $10.10.

Sample CPI Index

Consumer Price Index for All Urban Consumers (CPI-U) : Selected areas

(1982-84=100, unless otherwise noted)

Area	All items						
	Feb. 2015	Sep. 2015	Oct. 2015	Nov. 2015	Dec. 2015	Jan. 2016	Feb. 2016
U.S. city average	234.722	237.945	237.838	237.336	236.525	236.916	237.111
Region and area size[1]							
Northeast urban	250.619	252.922	252.504	252.573	251.670	251.739	252.250
Size A - More than 1,500,000	253.614	255.916	255.589	255.722	254.670	254.723	255.301
Size B/C - 50,000 to 1,500,000 [2]	147.565	148.967	148.569	148.509	148.196	148.264	148.466
Midwest urban	222.301	225.184	225.050	224.009	222.722	223.301	223.196
Size A - More than 1,500,000	222.441	225.534	225.319	224.476	223.237	224.074	223.726
Size B/C - 50,000 to 1,500,000 [2]	143.184	144.807	144.739	143.892	143.095	143.219	143.334

	Item Price (A)	Date (B)	CPI (C)
(1) Proposed Rate	$12.00	02/2016	237.111
(2) Previous Approved Rate	$10.00	02/2015	234.722
(3) Line = (1) minus line (2)	$2.00		2.389
(4) Line = (3) divided by line (2)	20%		1%

If line (4) column (A) is greater than line (4) column (C), see below. Otherwise enter the requested price on line (9) below.

(5) Enter amount on line (2) column (A) $10

(6) Enter amount on line (4) column (C)	1%
(7) Multiply line (5) by line (6)	0.10
(8) Add line (5) and line (7)	$10.10

(9) Approved Indexed Price	**$10.10**

4. Utility Costs

In accordance with DO35B, the NPS must recover costs for providing utilities to non-NPS users, including concessioners. If approved by the park, the concessioner may choose to charge an add-on to its rates to account for a higher utility rate than what the comparables are paying. Parks may calculate add-ons using one of two ways, depending on whether the contract was issued before or after the Commercial Services Impacts and Changes in Utility Charging Policies and Procedures Related to Director's Order 35B memo issued on January 31, 2013.

4.1. Calculating Utility Add-ons for Contracts Issued Prior to January 31, 2013

If a contract was issued prior to the Utility Charging Policies and Procedures Related to DO35B memo dated January 31, 2013, a utility-add (sometimes referred to as a pass-through) is allowed if the concessioner's utility costs are higher than comparable utility costs outside the park. The add-on is only allowed on NPS-produced utilities, not those provided by a third party utility provider. The steps to determine the annual add-on amount are:

1. Compare the NPS-provided utility rates with the utility rates of areas outside the park, preferably where rate comparables are located. If the NPS rates are equal or lower than the comparable utility rates, no add-on is allowed.
2. If the concessioner's utility rates are higher, multiply the difference between the two rates by the approximate annual usage. This will give the estimated amount of utility add-ons allowed for the year.

Example: If the concessioner uses 800,000 gallons of water per year and the NPS charges the concessioner $20.00 per 1,000 gallons of water, but the gateway community charges only $10.00 per 1,000 gallons, then the annual add-on amount allowed for that year is $8,000.

4.2. Calculating Utility Add-ons for Contracts Issued After January 31, 2013

Contracts issued after January 31, 2013 have utility add-ons approved during prospectus development and stated in the operating plan and business opportunity. The utility add-on is typically defined as a percentage of gross receipts and represents the estimated amount the concessioner will pay in utility costs compared to similar operations in the private sector.

Example: During prospectus development it was determined the concessioner is allowed a utility add-on equal to 2% of gross receipts to account for its higher utility costs. If the concessioner's estimated gross receipts are $500,000 for next year, the concessioner is allowed to collect $10,000 in utility add-ons for next year.

4.3. Utility Add-on Management for All Contracts

Add-on Distribution

The concessioner must submit an annual add-on distribution plan to the park for approval. Utility add-ons must be distributed across those services that are predominant users of the utility (typically lodging and food and beverage). When making this calculation, the concessioner should employ a reasonable method such as using the ratio of departmental revenue relative to gross receipts. Annually, the Service will review and approve the distribution as appropriate. Add-ons can be applied as either a flat dollar amount (e.g. $2 per room night) or a percentage (e.g. 3% of F&B receipts). The distribution plan should show:

- Estimated units to be sold or dollar volume.

- Amount of add-on shown as a dollar amount or as a percentage.
- Estimated additional revenue.
- An explanation if a decrease in units or volume sold is expected.

The following table is an example of a concessioner's add-on distribution request. The format is recommended but not required. It provides all of the necessary information needed for NPS review and documents the justification for the final decision. It is the park's responsibility to outline to the concessioners exactly how to request the rate adjustment.

Product/Service	Estimated Units to be Sold Annually	Add-on Amount	Estimated Add-on Revenue
Lodging Rooms	5000	$1.00	$5,000
Boat tours (units)	2000	$1.00	$2,000
Food and Beverage	$100,000	1%	$1,000
Estimated Add-on Revenue			$8,000

Goods and services adjusted should affect a wide range of visitors. The superintendent should discuss any concerns about the proposed adjusted rates with the concessioner. If the rate adjustment exceeds 15% of the base price, the superintendent should request the concessioner spread the adjustment over more items or classes of merchandise. Differences that cannot be resolved are treated as an appeal and referred to the regional director following the standard rate appeal procedures.

Rates and Receipts

The concessioner must incorporate the add-on amount into the advertised rate or price, and may not show utility add-on amounts as a separate line item on billings (receipts). The utility add-on is not added to items that are priced using MSRP or CMD. The concessioner may have a small notice near cash registers or on its website about the addition of a utility add-on to rates. Such notices must not mischaracterize the allowable add-on as a tax or required-NPS charge.

Reconciliation

The park must reconcile utility add-ons at least once each year to ensure the concessioner has collected the appropriate amount for that year. During the last year of the contract, it is recommended that the concessioner reconciles utilities more frequently to avoid having a large surplus or balance due at the end of the contract.

WASO developed a spreadsheet to assist in tracking utility add-ons through the term of a contract. The spreadsheet is available on the SharePoint Contract Management Toolbox.

To reconcile and calculate add-ons for the next year, the concessioner must submit their year-end data for actual revenue, add-ons collected, and utility costs as soon as possible after the year's end. A due date for this information should be added to the operating plan.

5. Miscellaneous

5.1. Reduced Rates to Government Employees

The Concessioner must include reduced rates for lodging for federal government employees on official business as part of its approved rate requests. Federal employees on official business and others on park-related business, as designated by the superintendent, may also receive reduced rates (i.e., complimentary or reduced price tickets) for transportation. Reduced rates for transportation may only be given if extra seats are available and may not take the place of a paying customer. Other goods and services may not be provided to government employees or their families without charge or at reduced rates unless they are equally available to the public.

5.2. Reservations and Deposits

Concessioners should develop reservation procedures, including standards for deposits and cancellations, which are patterned after those businesses used as comparables. The concessioner's approved rate schedule and advertising material must state in detail the conditions under which deposits will be refunded or cancellation fees charged. Reservations may not be accepted more than two years in advance for accommodation facilities or other services such as trail rides, river runners, or houseboats.

5.3. Minimum Length of Stay Restrictions

A minimum length of stay restriction requires that a customer make a lodging reservation for a minimum specified number of consecutive nights. For example, a hotel may require a minimum stay of two consecutive nights over a holiday weekend. This strategy allows the hotel to develop a relatively even occupancy pattern and it is common for resorts to use this approach during peak occupancy periods or during special events. Concessioners may implement this strategy if they can document similar strategies at its comparables and ensure that such minimum stays are reasonable given the concession visitation patterns.

5.4. Third-party Sales, Travel Agencies, and Intermediaries

Third-party companies (travel agencies, online booking engines, etc.) that are selling rooms or services for the Concessioner must sell those rooms or services at or below the NPS-approved maximum rate. The Concessioner must include any service fee or commission that the third party charges in the approved maximum rate.

6. Glossary

Actual Comparables: Those businesses selected from the list of potential comparables determined to be the most similar to the concessioner's operation.

Competitive Market Declaration (CMD): Method of rate administration for those concessioners operating in a competitive market and deriving no competitive advantage from being located in a park, or when prices for items or services are routinely negotiated between the buyer and seller (such as boats and antiques).

Consumer Price Index (CPI): An index of prices used to measure the change in the cost of basic goods and services in comparison with a fixed base period.

Convenience items: Products that are generally consumed regularly and viewed as necessities. Examples include ice, food, and personal care products.

Core Method: Method of rate administration that sets rates for core services or items based on comparability, while non-core services or items are priced by the concessioner based on what the market will bear.

Direct Comparability: Method of rate administration that compares concession operations and rates to the external market using specific criteria.

Extra Quality Features (EQFs): Additional attributes that add value. The purpose of including EQF information is to more accurately determine the value provided by the concessioner relative to the comparables.

Financial Analysis Method: Method of rate administration used when comparables are not available for unusual services, such as seaplane rides, mountaineering, bathhouses and interpretive services. Rates are established during the contracting process.

Full Review: Direct Comparability process which requires an onsite visit to collect data. This is typically used for more complex operations such as hotels and full service restaurants.

Indexing: Method of rate administration which uses the consumer price index (CPI) or other indices to adjust prices.

Limited Review: Direct Comparability process which permits the collection of data by telephone, internet or other correspondence. This is used for smaller, less complex operations.

Markup Percentages: The profit percentage that is added to the product cost to establish the selling price. The following formula is used to calculate markup percentages:

$$\text{Total Cost} \times (1 + \text{markup percentage}) = \text{selling price}$$

Potential Comparables: Businesses suggested by either the concessioner or park personnel as a candidate for being comparable to the concession operation.